## STATEMENT OF CHAIRMAN DANIEL K. AKAKA

High-Risk Logistics Planning: Progress on Improving Department of Defense Supply Chain Management

## Hearing

Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Senate Committee on Homeland Security and Governmental Affairs

Aloha, and welcome to our witnesses and guests. I would like to thank you all for joining us here at today's hearing: *High-Risk Logistics Planning: Progress on Improving the Department of Defense Supply Chain Management*.

Senator Voinovich and I have held several hearings on Department of Defense (DoD) supply chain management, an issue critical to making sure our brave men and women serving in Afghanistan, Iraq, and elsewhere around the world have what they need to be safe and successful. At our most recent hearing in July 2007, DoD was making progress, but there were still challenges that needed to be addressed.

Three years later, DoD supply chain management still remains on the Government Accountability Office's (GAO) high-risk list, where it first appeared in 1990. It is true that DoD's logistics operations are complex and extend throughout the world, but we must remain focused on moving forward to resolve remaining weaknesses.

Longstanding issues, such as inefficient inventory management, poor responsiveness to warfighter requirements, and weak demand forecasting result in higher costs. In May 2010, GAO reported that the Defense Logistics Agency (DLA) had over \$1 billion worth of excess spare secondary inventory in Fiscal Year 2008. We must exercise better stewardship over taxpayer money.

Even more importantly, DoD supply chain management is essential to our military forces. It is critical that DoD effectively supply our warfighters, who risk their lives every day, with the right equipment, in the right place, and at the right time.

DoD supply chain management still suffers from inadequate strategic planning. DoD must formulate a comprehensive and integrated strategic plan that addresses all of DoD's current and future logistics capabilities and challenges. This is vital to give senior leaders a means to effectively guide logistics programs across the Department and measure results.

DoD has produced multiple strategic plans over the years aimed at improving supply chain management. However, it is unclear how these plans align with each other.

The plans also lack some key elements. For example, at this Subcommittee's urging, DoD released the Logistics Roadmap in July 2008. According to GAO, the Roadmap failed to identify the scope of logistics problems, lacked outcome-based performance measures, and did not clearly define how the Roadmap would be incorporated into the overall DoD decision-making processes.

In September 2009, Senator Voinovich and I sent a letter to Deputy Secretary of Defense William Lynn expressing our continued concerns about DoD's ability to effectively and efficiently deliver critical supplies to military personnel. We also noted that DoD still had not included outcome-based performance measures in the Roadmap more than a year after its release.

DoD responded that the Department was developing a 2010 Logistics Strategic Plan that would update the Roadmap and address GAO's findings. DoD recently released this Plan. Although it includes specific logistics measures and key initiatives, I am concerned with how it can be used to achieve DoD's supply chain management goals.

Despite the remaining challenges, I do commend DoD for making progress on important issues. For example, the Joint Regional Inventory Materiel Management Initiative (J-RIMM) on Oahu in my home state of Hawai'i has proven a success. It improved support to the warfighter by reducing customer wait times, providing better asset visibility, eliminating duplicate inventories, and streamlining delivery of parts to end-users. The principles learned with J-RIMM have now been applied to other key areas such as the Inventory Management and Stock Positioning Initiatives at the Defense Logistics Agency.

Again, I want to thank our witnesses for being here today to discuss the 2010 Logistics Strategic Plan, and what DoD is doing in working toward removing supply chain management from GAO's high risk list.

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